MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BMR3134 – STRATEGIC MARKETING

(All sections / Groups)

24th OCTOBER 2017
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

ANSWER ALL QUESTIONS (100 marks)

JOLLIBEE: CATERING TO LOCAL TASTEBUDS THE WORLD OVER

Jollibee is a fast-food restaurant chain serving chicken, sandwiches, burgers, and spaghetti. It is based in the Philippines and has outlets in Brunei, Dubai, Hong Kong, Indonesia, Saudi Arabia, the United States, and Vietnam. The company uses the mascot of a large bee in a shirt, blazer, and chef hat. By March 2008, the company had 1,462 outlets in the Philippines and 190 outlets overseas. The company increased its capital expenditure budget from 2.2 billion pesos to 4 billion pesos in 2008 in a major expansion initiative in both the local market and overseas markets, including entry into China. The company hopes to have 4,000 outlets worldwide by 2020.

HISTORY

Tony Tan and his family started two ice-cream parlours named Jollibee in Cubao, the Philippines, in 1975. Upon the advice of a business consultant and the observation that the company was earning more from side orders of burgers than from ice cream, the family switched the product from ice cream to burgers in 1978. Jollibee was positioned as offering high-quality fast food at reasonable prices. The company achieved sales of 500 million pesos in 1984 and became the first Philippine fast-food chain to break the 1 billion peso sales mark in 1989. In 1994 Jollibee entered the pizza-pasta segment with the acquisition of Greenwich Pizza Corporation. In 1995 the company acquired the franchise of Delifrance in the Philippines.

STRATEGIC ENTRANCE INTO WORLD MARKET

Jollibee's first experience in expansion abroad in 1994 came under the leadership of a newly appointed international operations vice president, Tony Kitchner. Since the company was committed to long-term growth, and there was a limit to the Philippines market, the company felt the need to enter foreign markets. Two strategies were used for the international expansion. First, the company targeted Filipino expatriates working in the Middle East, Hong Kong, and other Asian cities. Second, the company focused on those markets where there was minimal competition.

INNOVATIONS IN JOLLIBEE'S OPERATIONAL MANAGEMENT

Jollibee's company's philosophy revolved around the "Five Fs"—friendliness, flavourful food, a fun atmosphere, flexibility in catering to consumers' wants, and a focus on family. Central to Jollibee's ability to offer these five aspects was a developed operations management capability. Jollibee expanded rapidly throughout the Philippines, financing all growth internally till 1993. Key positions related to operations functions were held by Tan family members, with the recruitment of outsiders to fill up leading roles in the marketing and finance departments. When Kitchner took over in 1993, he remodelled Jollibee's international division and took on a different management approach from the domestic side. To project a world class image and greater credibility with foreign investors, he initiated the company's first dress code, requiring managers to wear ties.

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Kitchner began recruiting experienced internationalists, relying less on internal recruitment. Once Jollibee had entered a new market, Kitchner transferred responsibility of the opening of the franchise to a franchise services manager (FSM). The FSM would be the bridging member between the offshore operations and Jollibee's international division, which provided financial support and ensured quality and consistency throughout the decision process. A project manager would be appointed to oversee the appointment of store managers and crew members. International franchises adopted a standardized Jollibee floor plan that ensured efficient production procedures. However, FSMs were also encouraged to adapt counter and dining areas to suit the needs of consumers in each country. Kitchner made several other changes to the business operating model in the process of adapting to foreign consumers' tastes and preferences. The international division added the slogan "Great burgers, great chicken" to the Jollibee logo in aft attempt to incorporate the company's product in its name, preventing consumers from associating the logo with a candy or toy store. Paper wrapping replaced Styrofoam boxes tor packaging food, which appealed to foreign consumers' environmental consciousness.

STRAINED INTERNATIONAL-DOMESTIC RELATIONS

The international and domestic sections of the company operated largely independently of each other, eventually leading to tension between the two. The reins of value chain activities such as R&D and finance were held by the Philippine operations. This hampered the international division's accessibility to resources to modify store layouts, menus, and existing practices. With escalating internal disputes over the pace of Jollibee's globalization plans, Noli Tingzon soon replaced Kitchner as the vice president of international operations. Tingzon sought to lessen the financial constraints of the company by concentrating the company's assets on a few key and high-potential markets, instead of multiple locations. He closed six stores that were making marginal profits and focused his efforts on breaking into the Hong Kong and California markets. The Chinese and U.S. markets were seen as vital to the company's long-term plans, and Hong Kong and California represented key footholds for these markets.

OPERATIONS IN DIFFERENT COUNTRIES

Jollibee Foods Corporation (JFC) had established 35 restaurants in five key countries—the United States, Brunei. Hong Kong. China, and Vietnam by March 2008. JFC's globalization initiatives extended beyond the company's flagship burger business. JFC bought Chowking, a Filipino fast-food chain specializing in Chinese food, which enabled the company to establish dominance in the Chinese fast-food market. Jollibee also acquired the local franchise for Delifrance, a bakery chain, and Greenwich, a rival of Pizza Hut. To establish its presence in China, Jollibee acquired Yonghe King, another fast-food chain. All in all, in 2008 JFC had 1,652 outlets in nine countries and had adopted a multi-brand strategy, gradually cementing its position in the fast-food industry.

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The United States of America (USA)
As at the end of 2007. Jollibee had 13 stores in the United States, in the states of California, Nevada, and New York. An additional eight more stores were expected to be opened around 2008 to 2009. The United States was seen by Jollibee as a lucrative market due to the growing Filipino community there, providing for a sizable consumer base. Instead of seeing itself as a direct rival to McDonald's and KFC, Jollibee wanted to break into the market as an "alternative." Thus, Jollibee characterized its menu as American fast-food favourites with an Asia-Pacific flavour. Jollibee's unique offerings to foreign consumers tended to be relatively sweeter and seasoned with more spices than traditional U.S. fast-food chain dishes. Jollibee's success in the U.S. market could also be attributed to its wider variety of menu items. Apart from the usual fries and burgers, Jollibee's fare included spaghetti, rice-based JolliMeals, and hot dog sandwiches.

Before the opening of the first outlet in Daly City, California, a city heavily populated by Filipino immigrants, Jollibee chose not to hire local specialists. Instead, the company sent a team to live in San Francisco for two years to study the market and its industry. This resulted ultimately in adaptations of Jollibee's operations to complement the habits and lifestyle of Americans. The team found out that Americans' main mode of transport was cars, and translated this into having more drive-through outlets compared to its outlets in the Philippines.

China
Because the Philippines had been occupied by the United States in the early 20th century, Philippine firms are heavily influenced by Western ways of management. JFC is no exception, operating from a bottom-up approach the same approach it uses in its management of Yonghe King. Previous management of the noodle enterprise did not have departments performing business analysis, decision support, and performance management. After acquisition, JFC hired new local recruits to head the operations, marketing, network development, and R&D sections, which were previously understaffed or non-existent. JFC hoped that with the recruitment of locals, it would gain a more intimate understanding of the Chinese consumer market, enabling it to establish Yonghe King's foothold in China.

Over time, JFC realized that operations in China and Jollibee's domestic market differed in terms of external issues such as legal matters and relations with franchisees. However, internal management of the staff, taste preferences of both consumer markets, and operational matters are similar in both countries.

Middle East
The Middle East is another market that Jollibee thrives in due to the large number of Filipinos working as domestic workers there. JFC successfully opened Chowking stores in Guam, Dubai, the United Arab Emirates (UAE), and the Kingdom of Saudi Arabia. The Chowking food chain in the UAE operates very differently from that in the

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Philippines. Catering to the Filipino group in the UAE who frequent the outlets for gatherings or celebrations of special occasions, a number of Chowking restaurants in the UAE have function rooms, unlike in the Philippines. Aside from the traditional Chowking offerings of rice and noodles, Chowking in the UAE also sells signature Filipino dishes such as kare-kare. The Chowking menu in the UAE is slightly different from that in other outlets, due to the perceived desire of Filipinos in the UAE to have a "taste of home."

Brunei

The year 2008 marked the opening of the 10th and 11th branches of Jollibee in Brunei. Jollibee did not perceive Brunei's small market size as a barrier to its expansion plans. Founder Tony Tan believed instead, that efficient company operations and successful marketing strategies would overcome this limitation to growth. He also held that Jollibee fast-food chains possessed a competitive edge in terms of the company's understanding of Asian taste preferences. Rice-based meals offered in Jollibee's Brunei outlets feature foods aptly suited and familiar to the Asian consumer market, differentiating it from its Western counterparts. The products offered include chicken curry, nasi lemak and burger steak with mushroom sauce, all of which cater to consumers in Brunei.

Vietnam

Recognized as the Pacific Rim's fastest-growing economy after China. Vietnam was another market that Jollibee wanted to capture. With economic growth rates at an average of 8 percent and rapid development of the Western fast-food industry. Vietnam is a strategic source of growth in Jollibee's foreign operations. Jollibee opened five stores in Vietnam in 2007 and expanded its outlets in the country to nine in 2008.

LOOKING AHEAD

In 2007, Jollibee opened 173 new stores in total, including 22 overseas. JFC's international expansion has proven successful so far. However, the company continues to face new challenges. Net profit at Jollibee grew 9.6 percent year-on-year in 2007, a slower rate of growth compared to the 28 percent recorded in 2006, due to rising commodity prices.

The price of rice in the global market has tripled in 2008. Due to increasing demand, poor harvests, and high fertilizer costs. The Philippines is the world's largest importer of rice. Jollibee's dominance in the Philippine market and its usage of rice as the key ingredient in its dishes means that the company would incur higher input costs and bear the risk of declining profits. As such, Jollibee must find ways to offset this rising cost while maintaining its market share in the local and international markets. Jollibee believes that one way would be to increase the sales contribution from overseas operations. Jojo Gonzales, the managing director at Manila-based brokerage firm Philippine Equity Partners Inc., explained Jollibee's proposed strategy, "This is why they are diversifying into other markets and starting new brands they need to spread their risk."

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Jollibee was also looking into its second foray into the Indonesian market in 2008. Its first foray in the early 1990s did not prove successful due to the Asian economic crisis in 1997. Brand manager Joseph Alcantara commented that Jollibee could not afford to make a slip for a second time, explaining Jollibee's increased emphasis on advertising and positioning in the market. This would likely lead to greater financial strain for Jollibee as it continues its progress in international expansion. Despite Jollibee's acknowledgment that there would be comparatively less spending 011 advertising in 2008 alone, the long-term potential billing could be substantial. Alcantara also noted that Jollibee's first campaign in Indonesia would be a combination of above- and below-the-line executions, with a focus on branding and in-store activation.

Source : Kerin, Hartley, Rudelius, Geok, Marketing in Asia, McGraw Hill (2009)

QUESTION 1

Identify and explain the marketing mix strategies that Jollibee is using in the international markets.

(Total: 20 marks)

QUESTION 2

(a) Identify the needs and wants fulfilled by Jollibee's products and services?

(10 marks)

(b) Identify **FOUR (4)** marketing objectives that Jollibee can develop for the next few years?

(10 marks)

(c) Explain what utilities are satisfied by Jollibee's offerings?

(10 marks)

(Total: 30 marks)

QUESTION 3

Discuss the **FIVE (5)** different ways in which Jollibee can communicate with its target audiences?

(Total: 25 marks)

QUESTION 4

Discuss the **FIVE (5)** factors that influence Jollibee's promotional mix decision?

(Total: 25 marks)

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